



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
MARION COUNTY SHERIFF**

**Calendar Year 1999**

**EDWARD B. HATCHETT, JR.  
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**EXECUTIVE SUMMARY**  
**MARION COUNTY**  
**CARROLL KIRKLAND, SHERIFF**  
**CALENDAR YEAR 1999**  
**FEE AUDIT**

**Financial Condition of the Entity:**

The Sheriff received \$384,694 and disbursed all funds appropriately. Included in the disbursements were \$40,307 of excess fees to fiscal court. There were no outstanding liabilities at year end.

**Comment and Recommendation:**

The Sheriff Should Have Required The Depository Institution To Provide Additional Collateral Of \$22,457 And Entered Into A Written Agreement To Protect Deposits.



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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable David Hourigan, Marion County Judge/Executive

Honorable Carroll Kirkland, Marion County Sheriff

Members of the Marion County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Marion County Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Have Required The Depository Institution To Provide Additional Collateral Of \$22,457 And Entered Into A Written Agreement To Protect Deposits

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable David Hourigan, Marion County Judge/Executive  
Honorable Carroll Kirkland, Marion County Sheriff  
Members of the Marion County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated July 17, 2000, on our consideration of the County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 17, 2000



MARION COUNTY  
CARROLL KIRKLAND, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

Federal Grants		\$	5,570
State Grants			9,608
State Fees For Services:			
Finance and Administration Cabinet	\$	10,731	
Cabinet For Human Resources		<u>300</u>	11,031
Circuit Court Clerk:			
Sheriff Security Service	\$	13,618	
Fines and Fees Collected		12,570	
Court Ordered Payments		<u>500</u>	26,688
Fiscal Court			15,950
County Clerk - Delinquent Taxes			1,825
Commission On Taxes Collected			175,278
Fees Collected For Services:			
Auto Inspections	\$	2,980	
Accident and Police Reports		53	
Serving Papers		10,432	
Carrying Concealed Deadly Weapon Permits		<u>3,760</u>	17,225
Other:			
Sheriff's Fees and Advertising Costs	\$	16,526	
Miscellaneous		<u>2,326</u>	18,852
Interest Earned			3,932
Borrowed Money:			
State Advancement			<u>98,735</u>
Gross Receipts (Carried Forward)		\$	384,694

MARION COUNTY  
 CARROLL KIRKLAND, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 1999  
 (Continued)

Gross Receipts (Brought Forward)	\$	384,694
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Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	130,268
Part-Time Salaries		6,950
Overtime Salaries		5,150

Employee Benefits-

Employer's Share Retirement		1,487.00
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Materials and Supplies-

Office Materials and Supplies		7,697
Uniforms		3,205

Auto Expense-

Gasoline		8,938
Maintenance and Repairs		8,279

Other Charges-

Training		1,116
Equipment Repair		576
Carrying Concealed Deadly Weapon Permits		2,460
Postage		323
Tax Settlement Preparation		600
Miscellaneous		2,767

Capital Outlay-

Office Equipment		3,189
Law Enforcement Equipment		5,570

Debt Service:

State Advancement		98,735
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Total Disbursements		<u>287,310</u>
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Net Receipts (Carried Forward)	\$	97,384
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MARION COUNTY  
 CARROLL KIRKLAND, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 1999  
 (Continued)

Net Receipts (Brought Forward)		\$	97,384
Less: Statutory Maximum	\$	56,389	
Training Incentive		<u>688</u>	<u>\$ 57,077</u>
Excess Fees Due County for Calendar Year 1999		\$	40,307
Payments to County Treasurer - January 25, 2000	\$	32,195	
February 1, 2000		3,500	
July 11, 2000		<u>4,612</u>	<u>40,307</u>
Balance Due at Completion of Audit		<u>\$</u>	<u>0</u>

The accompanying notes are an integral part of the financial statement.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 1999  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of December 31, 1999, bank balances were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name. However, as of November 10, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$22,457 of public funds uninsured and unsecured. In addition, the Sheriff did not have a written agreement with the depository institution.

Note 4. Grant

In 1999, the Sheriff was awarded a grant under the Local Law Enforcement Block Grants Program in the amount of \$5,570 to be expended for law enforcement equipment. The balance at December 31, 1999 is \$0.

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COMMENT AND RECOMMENDATION





MARION COUNTY  
CARROLL KIRKLAND, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

Calendar Year 1999

The Sheriff Should Have Required The Depository Institution To Provide Additional Collateral Of \$22,457 And Entered Into A Written Agreement To Protect Deposits

On November 10, 1999, \$22,457 of the Sheriff's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The Sheriff should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the Sheriff enter into a written agreement with the depository institution to secure the Sheriff's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

*Sheriff's Response:*

*We are aware of this problem but didn't have enough time to change for the 1999 Fee Account. This problem was resolved with the 2000 Fee Account.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable David Hourigan, Marion County Judge/Executive  
Honorable Carroll Kirkland, Marion County Sheriff  
Members of the Marion County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Marion County Sheriff as of December 31, 1999, and have issued our report thereon dated July 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Marion County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marion County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable David Hourigan, Marion County Judge/Executive  
Honorable Carroll Kirkland, Marion County Sheriff  
Members of the Marion County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 17, 2000

